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FOREIGN SERVICE DESPATCH

773.5-MSP/11-359

FROM : Amembassy BENGHAZI

DESP. NO.

NOV - 4 1959

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 3, 1959

REF : Deptel 130, October 2, 1959; Embtel 190, November 2, 1959.

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	REC'D	OTHER
	11/9	IN 194/R 2 1RC-8, E-7, 1CA-11, W/MSC-3 O 1A-10, CSD-4, ARMY-4, NAVY-3, AIR-1

SUBJECT: Presentation of FY 1960 Aid Proposals to Libyan Prime Minister

On October 31, 1959, the Ambassador called on Prime Minister Ku'bar at his office in Benghazi and, following an initial exchange of civilities, reviewed the past aid negotiations and presented the U.S. FY 1960 aid proposals, as outlined in a prepared aide memoire which he left with the Prime Minister. (Copy enclosed).

The Prime Minister listened attentively and answered as follows: He understood clearly that the motives of the U.S. in granting financial assistance to Libya were to raise the living standard of the Libyan people, but that after some 4 years this living standard had not been appreciably improved, thus disappointing the desires of both the Libyan people and the American tax-payers. While it was true, he said, that the Province of Tripoli had realized some economic gains from the presence of Wheelus, these were more than offset by fears of the people concerning existence of the air field, the strain on services which the base personnel presented, and the black market of which they were the cause. (He said with some heat that only that morning he had received a cable notifying him that even the American Embassy in Tunis was being fed from the facilities of Wheelus.)

The Prime Minister stated that, during the first four years of financial and economic assistance, aid projects -- except those in the field of education -- had contributed little to the welfare of Libya. He said that in these same four years the times had changed and the wishes of the people had shifted -- as evidenced by the numerous newspaper articles of which the Ambassador was aware, and by petitions of complaint from tribal groups near the U.S. military facilities outside Tripoli which he (the Prime Minister) received almost daily.

It was in consideration of all this, and particularly with a desire to maintain the friendship of the United States in the face of the changing attitudes of the people, that the Government of Libya had requested negotiations for amendment of the 1954 financial agreement. This had been enunciated as ^{government} policy in the Speech from the Throne last year.

The Prime Minister continued saying that eleven months and two sessions of negotiating teams had passed since that request, but with a result now the same as

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REVIEWED BY

J.M. Raz

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before negotiations were started. He added that he did not blame the Ambassador for this passage of time since he well realized that many sections of the United States Government were required to study the matter. He was concerned, however, that the current offer was again only for a period of one year, although the intent of the Libyan Government request had been to provide for new aid arrangements for the entire period of validity of the agreement. Altogether he regretted that this was the substance of the U.S. response.

The Prime Minister emphasized that, in view of the forthcoming elections, his position was delicate and that he would not dare make the present proposals known to the people or even to the Council of Ministers. Thus, he said with a smile, he would have to consider the aide memoire as secret. In this regard, he mentioned that he had already postponed his scheduled monthly press conference until November 10th because he knew that the first question asked of him would concern the status of the financial assistance negotiations. There was also the next Speech from the Throne to be considered.

The Prime Minister then said that the foregoing was by way of an informal reply and that the Foreign Office would in the near future present an official answer to the presentation of the Ambassador.

The Ambassador said that he would not attempt, in the time allotted that morning, to reply to all of the Prime Minister's comments; that he would, however, like to make two observations on points raised by Mr. Ku'bar. First, he could not agree that the American aid program had been of no benefit to Libya. He said he was sure that if any one would recall the conditions in Libya in 1951 and 1952, he would have to admit that the Libyans were relatively well off in 1959. Also, in Mr. Jones' experience, many Libyans at the working level in agriculture, in health and sanitation, and in education had expressed their satisfaction with -- indeed, their complete dependence upon -- American aid to carry out the normal day to day programs in their fields. In fact, the entire basis of the agriculture, the education, and the health and sanitation programs was provided throughout Libya by American economic assistance.

Secondly, he voiced his surprise at the modesty of the Prime Minister in not having emphasized to the public in the press and elsewhere that his Government was receiving 32.5 million dollars worth of aid from the U.S. during the current Libyan fiscal year. In response, the Prime Minister said that he could not point only to paper promises but must have concrete proofs to show to the people that this aid was actually received. Thus all he could mention was the \$8 million which had gone directly into the Libyan budget from American sources. The Ambassador pointed out various development projects and the relief grain as items of assistance which were clearly observable by everyone. The Prime Minister

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Acknowledged with gratitude receipt of the grain and then returned to discussion of the need for some large-scale projects in the agricultural field, such as a resettlement program involving Libyan expatriate farmers in Tunisia, and the lack of success which he claimed was the fate of other American-financed projects, with the exception of education.

For the Ambassador:

H. M. Symmes
Harrison M. Symmes
First Secretary of Embassy

Enclosure: *1/1*

Copy of Aide Memoire

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AIDE-MEMOIRE

In his meeting with the Prime Minister of Libya on October 31, 1959 the American Ambassador referred to the Prime Minister's Note of November 18, 1958, requesting a reconsideration of the Libyan-American economic assistance agreement of September 9, 1954, and to the various exchanges on that subject which have taken place between representatives of the two governments since that date.

The Ambassador recalled that the following major considerations had been brought out in previous discussions of that matter:

The United States Government has been gratified by the continued desire of the Libyan Government to participate in the mutual defense of the free world by placing military facilities at its disposal as one of her contributions to that mutual defense. In turn this has had, of course, direct financial benefits for Libya. Rent for the land used in these military facilities has been paid by the United States to the individual landowners, and the economy of Libya has benefited by from three million to more than four million pounds annually from expenditures made by United States forces for the hire of local labor and for the purchase of local goods and services.

During the course of previous discussions representatives of the Libyan Government have stated that Libya's internal enemies are poverty, ignorance and disease and have requested that the United States aid in fighting them. It was a sincere desire to join in this fight which prompted the United States to undertake, in the exchange of Notes of September 9, 1954, to provide long-term economic assistance to Libya. And it has been that same desire, coupled with recognition of the changes which have taken place over the last five years, which has led the United States to increase several times the amount of aid extended to Libya in response to specific requests. Thus the total amount of financial and economic assistance to be received from the United States Government, from the United States fiscal year 1959 appropriations, has now reached the value of \$32.5 million, a sum equivalent to nearly LL 12 million, in such diverse fields as budget support, economic development and drought relief. This is exclusive of the cost to the United States Government of providing large scale technical assistance.

In addition, the United States has been making substantial contributions of material and training support to the Libyan Army.

Libya is the only country in the world to which the United States has made such a long-term commitment of a fixed amount of assistance as that embodied in the September 9, 1954 agreement. As the Government of Libya is aware, the Executive Branch of the United States Government proposes financial appropriations, but the final decision concerning their payment is that of the Congress. Since 1954, such approval for Mutual Security appropriations has become

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increasingly more difficult to obtain. On the other hand, the record of the United States, during these same years, in granting annually substantial amounts of assistance to Libya provides firm assurance of United States interest in the long-term welfare of this country.

Concerning the Libyan Government's request for unrestricted use of aid funds, the United States Government, in this matter also, is bound by Congressional regulations. However, this year, as an exceptional measure, the Ambassador was authorized to agree to a grant of \$8 million to support the Libyan budget. The remainder of aid funds for the current year have gone, of course, not to projects selected solely by Americans, but to those works jointly agreed by representatives of the two governments to be of major use in contributing to the permanent, long-term solution of the economic problems of Libya.

When the Libyan Government on occasion has voiced dissatisfaction with the techniques of administering American aid in Libya and with the multiplicity of agencies involved in this task, it has been pointed out that the United States Government has given, and continues to give, its full support to establishment of the proposed Development Council as a single agency for the programming and supervising of Libyan development projects.

The Ambassador then informed the Prime Minister that, with these aspects of past negotiations in mind, and as part of the broad framework of cooperation existing between the two countries -- a framework of which military facilities are also a part -- the United States is prepared to place at the unrestricted disposal of the Government of Libya during the Libyan fiscal year beginning April 1, 1960, the \$4 million of special purpose funds called for in Paragraph (c) of the exchange of Notes of September 9, 1954.

In addition, the Ambassador said that the United States is prepared to make available, during this same period, \$6 million to the Government of Libya's new Development Council, to be used for economic development projects. In order to satisfy its own legal requirements, the United States Government would expect to pre-examine in general terms those projects to be financed by the Council with this money and to receive information from the Council which would permit adequate reports to be made to the Congress of the United States on use of the funds.

The Ambassador pointed out that the funds mentioned above are in addition to those which the United States contemplates continuing to grant as assistance for agreed economic projects; and he assured the Prime Minister that the United States Government will in the future, as it has in the past, view sympathetically the needs of Libya.

The Ambassador concluded that, in view of the willingness of the United States Government to depart to this extent from its normal procedures for the administration of financial assistance, it is expected that the Government of Libya will continue to ensure the unhampered use by the United States of military facilities in this country.

Embassy of the United States of America,
Benghazi, October 31, 1959.

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